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**AGENCY OVERVIEW****226 Department of Trust Lands**

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**Date:** 12/23/2014**Time:** 12:07:59**Statutory Authority**

ND Constitution Article IX, North Dakota Century Code Chapters 15-01 through 15-09, 15-68, 38-09, 38-11, 47.30.1, 61-33 and Sections 57-02.3-05, 57-62-02 through 57-62-06. ND Constitution Article X Section 21, North Dakota Century Code Sections 15.1-36-02 and 15.1-36-03.

**Agency Description**

The primary role of the Board of University and School Lands and the Department of Trust Lands is to manage the 13 permanent trust funds under its control, to preserve the purchasing power of the trusts and to maintain stable distributions to trust beneficiaries. Those beneficiaries include local school districts, various colleges and universities, and other institutions in North Dakota. Revenues are generated for the trusts through the prudent management of trust assets, consisting of 706,000 surface acres, over 2.6 million mineral acres, and \$3.24 billion of assets (loans, marketable securities, and cash equivalents). The surface acres are leased to ranchers and farmers across the state. The mineral acres are offered for oil, gas, coal, potash, gravel, scoria, and more recently, clay leasing.

The Department also manages five additional funds: the strategic investment and improvements fund, the coal development trust fund, the capitol building trust fund, and the Indian cultural education trust fund. These non-permanent funds had total financial assets of \$1.32 billion at the end of fiscal year 2014. The \$240 million oil and gas impact grant fund is also administered by the Department.

The Department also administers the Unclaimed Property Act. In this capacity the Department collects “unclaimed property” (uncashed checks, unused bank accounts, etc.), and processes owners’ claims. This property is held in trust for the owner to claim, but the revenue from the investment of the property benefits the common schools trust fund.

The Department also operates the Energy Infrastructure and Impact Office, which provides financial support to political subdivisions that are affected by energy development in the state. Assistance is provided through both the oil and gas impact grant program and the coal impact loan program.

**Agency Mission Statement**

Under the direction of the Board of University and School Lands, the Department of Trust Lands is to manage the land, minerals and financial assets of the trusts in a way that balances the current needs of trust beneficiaries with those of future generations.

The mission of the Energy Infrastructure and Impact Office is to help build new infrastructure and reduce the impacts that energy development has on political subdivisions.

**Agency Performance Measures**

Performance within the Department of Trust Lands is measured by its continued ability to manage the assets of 13 permanent trusts and four other funds under its control; to preserve their purchasing power; and to maintain stable distributions to beneficiaries.

**Major Accomplishments**

1. Managed permanent trust fund financial assets, which have grown from \$900.0 million on June 30, 2009 to \$3.28 billion on June 30, 2014.
2. Combined “other fund” financial assets managed by the Department have increased from \$95.5 million on June 30, 2009 to \$1.47 billion on June 30, 2014.
3. Undertook a comprehensive review of all investment strategies and adopted and implemented a new asset allocation to include tactical, emerging markets, international and real estate strategies for the permanent funds.
4. Issued a total of 801 oil and gas leases on 68,525 mineral acres during fiscal year 2013. During fiscal year 2014, a total of 1,024 leases involving 82,463 mineral acres were issued.
5. Received total mineral lease bonuses of \$69.1 million in fiscal year 2013 and \$35.6 million in fiscal year 2014.
6. Received oil and gas royalties of \$275.8 million during FY 2013 and \$302.7 million during FY 2014. Royalties increased 34.9 percent during FY 2013 and approximately 35.5 percent during FY 2014.

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7. Managed 9,752 active oil and gas leases of which 6,671 were “held by production” status, as of June 30, 2014. At the end of FY 2013, the total number of active leases was 9,602 including 5,621 in “held by production” status.
8. Monitored production from 3,572 producing wells as of June 30, 2014, up from approximately 1,483 two years earlier. The Department collected more than \$8.5 million of additional royalties, penalties, and taxes during FY 2014 as a result of revenue compliance efforts.
9. Received 425 applications for easements, permits and surface damage agreements with a total income of \$5.5 million in FY 2014.
10. Continued with more than a 99.0 percent leasing rate for agricultural tracts.
11. Processed 5,891 property claims, through the Unclaimed Property Division, totaling \$4.0 million during fiscal years 2013 and 2014.
12. Administered a significantly expanded energy impact grant program increase, through the Energy Infrastructure and Impact Office. Program award commitments increased from \$3.9 million in 2011; \$124.3 million in the 2011-13 biennium; and \$239.3 million in the 2013-15 biennium.
13. Increased average EIO reimbursement payments from \$9,032 in fiscal year 2011 to \$121,745 in fiscal year 2014.
14. Administered continued disbursements of the 2011 \$30.0 million Flood Impacted Political Subdivision Infrastructure Development Grant program to assist communities and other political subdivisions in responding to flood repairs and relocation needs.
15. Completed a legislatively directed study of land use and management options for land associated with Lakes Sakakawea and Oahe.

**Future Critical Issues**

The current high price for oil coupled with continued exploration, development and leasing activity will increase permanent trust fund growth. Of the approximately 11,079 wells producing in North Dakota during June 2014, the Department collected royalties on approximately 3,600 wells, or 32 percent. The oil and gas royalties, lease bonuses, and the share of the oil extraction and gross production taxes deposited in all the trust funds exceeded \$1.76 billion in the previous biennium and have already reached nearly \$990 million in the first year of the 2013-15 biennium. The royalty growth is likely to continue, as most of the trust and state minerals in the active production area have been leased and are beginning to produce.

With increased rig counts, more division orders and assignments of leases necessitate title work and staff review of archival records to resolve mineral acreage discrepancies and disputes. Many new tracts are managed as a result of delineation studies of sovereign minerals beneath the Yellowstone and Missouri Rivers; this has also resulted in additional legal challenges which dominate staff time. Sorting and clarifying sovereign minerals will take staff resources to resolve disputes and to support legal efforts to obtain royalties currently held in suspense.

The Department has kept up with the growth related to energy activity with the assistance of staff from all divisions. The activity affects all areas, for example the Department has an estimated 3.0 FTEs working almost exclusively on right-of-way processing and reclamation; diverting staff from noxious weed efforts and range improvements. The primary responsibilities of the other divisions have been impacted as the focus has shifted to responding to opportunities and demands of the energy activity. As a result, other programs have been impacted.

As the number of wells under management increases so does royalty income, the number of transactions, and disturbance of surface lands. The Department will need more help to manage the assets and income it generates. The submitted budget request includes:

- One FTE for a Land Management Specialists to support the expansion in gravel leases, pipeline, power line and road easements, and other right-of-way applications; and to focus on reclamation efforts and spills (923 current reclamation projects).
- One FTE for a public information officer and policy director.
- One FTE to reemphasize unclaimed property outreach and compliance efforts.
- One FTE for a strategic investment and improvements fund accountant to oversee the unique cash flows, investments and obligations of the short-term strategic investment and improvements fund (SIIF).

Energy Infrastructure and Impact Office (EIO) currently has two authorized FTEs, with funds appropriated for a grants administrator and assistant grant administrator. The budget requests one additional position for the EIO.

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- One FTE for a compliance officer and claims processor within the EIO to evaluate requests for payment of approved grants and to implement a review of project expenditures and an assessment of the impact and effectiveness of awards.

Technology systems require continual maintenance and improvements in multiple areas:

- Royalty management systems need to be enhanced to better automate both reporting/data entry functions and royalty management/audit functions.
- The current accounting system has been pieced together over time and needs major improvements in order to automate and streamline functions, and enhance accuracy.
- Standardized secure fund transfer and ACH payment mechanism.
- The unclaimed property management system is in need of updates to allow claimants to submit fast-track claims, to allow holders to submit annual reports via web-based applications, and to allow staff to process claims in an on-line automated work flow system that will allow for more secure processing of personal information required in the claim process.
- Improvement in internal and public access to data for review and tabulating, including web based tools to sort and retrieve aggregated data and monitor specific tracts or transaction information.
- Enhanced File Transfer Protocol (FTP) location for file transfers and improved tools for digitization and irretrievability of records.

As fiduciary trust managers it is imperative that the Department has the resources in place to effectively and efficiently manage increasing transactions and collections. The workload will continue to grow as the energy industry expands.

Demand for EIO grants continues to outpace available funding within the oil and gas impact grant fund.

**REQUEST SUMMARY**

226 Department of Trust Lands  
Biennium: 2015-2017

Bill#: HB1013

Date: 12/23/2014

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
<b>By Major Program</b>					
Trust Lands	75,042,433	273,661,732	(265,245,815)	8,415,917	1,109,536
<b>Total Major Program</b>	<b>75,042,433</b>	<b>273,661,732</b>	<b>(265,245,815)</b>	<b>8,415,917</b>	<b>1,109,536</b>
<b>By Line Item</b>					
Salaries and Wages	3,873,417	5,157,015	184,910	5,341,925	607,356
Accrued Leave Payments	0	108,541	(108,541)	0	0
Operating Expenses	782,999	1,975,863	279,090	2,254,953	307,225
Capital Assets	39,095	65,550	(65,550)	0	0
Other Grants	66,501,684	239,299,174	(239,299,174)	0	0
Flood Infrastructure Develop. Grants	3,845,238	26,154,763	(26,154,763)	0	0
Contingencies	0	200,000	(100,000)	100,000	0
Energy Infrastructure & Impact	0	700,826	18,213	719,039	194,955
<b>Total Line Items</b>	<b>75,042,433</b>	<b>273,661,732</b>	<b>(265,245,815)</b>	<b>8,415,917</b>	<b>1,109,536</b>
<b>By Funding Source</b>					
General Fund	3,845,238	26,154,763	(26,154,763)	0	116,765
Federal Funds					
Special Funds	71,197,195	247,506,969	(239,091,052)	8,415,917	992,771
<b>Total Funding Source</b>	<b>75,042,433</b>	<b>273,661,732</b>	<b>(265,245,815)</b>	<b>8,415,917</b>	<b>1,109,536</b>
<b>Total FTE</b>	<b>24.75</b>	<b>31.00</b>	<b>0.00</b>	<b>31.00</b>	<b>5.00</b>

**REQUEST DETAIL**

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
<b>Salaries and Wages</b>					
Salaries - Permanent	2,786,737	3,357,655	392,135	3,749,790	431,568
Temporary Salaries	81,282	250,000	(104,400)	145,600	0
Overtime	11	0	0	0	0
Fringe Benefits	1,005,387	1,549,360	(102,825)	1,446,535	175,788
<b>Total</b>	<b>3,873,417</b>	<b>5,157,015</b>	<b>184,910</b>	<b>5,341,925</b>	<b>607,356</b>
<b>Salaries and Wages</b>					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	3,873,417	5,157,015	184,910	5,341,925	607,356
<b>Total</b>	<b>3,873,417</b>	<b>5,157,015</b>	<b>184,910</b>	<b>5,341,925</b>	<b>607,356</b>
<b>Accrued Leave Payments</b>					
Salaries - Permanent	0	108,541	(108,541)	0	0
<b>Total</b>	<b>0</b>	<b>108,541</b>	<b>(108,541)</b>	<b>0</b>	<b>0</b>
<b>Accrued Leave Payments</b>					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	108,541	(108,541)	0	0
<b>Total</b>	<b>0</b>	<b>108,541</b>	<b>(108,541)</b>	<b>0</b>	<b>0</b>
<b>Operating Expenses</b>					
Travel	107,871	275,938	(125,900)	150,038	83,500
Supplies - IT Software	16,163	57,458	0	57,458	2,700
Supply/Material-Professional	7,981	14,301	0	14,301	0
Food and Clothing	152	0	0	0	0
Bldg, Ground, Maintenance	9,874	1,592	5,000	6,592	0
Miscellaneous Supplies	3,394	4,545	6,270	10,815	0
Office Supplies	13,851	32,434	0	32,434	6,000
Postage	26,684	34,760	(14,760)	20,000	0
Printing	18,671	23,627	(9,700)	13,927	0
IT Equip Under \$5,000	29,596	97,048	0	97,048	10,100
Other Equip Under \$5,000	16,840	10,324	0	10,324	0
Office Equip & Furn Supplies	34,571	60,660	(48,000)	12,660	49,600
Utilities	23,123	58,985	0	58,985	0
Insurance	9,307	14,230	0	14,230	0
Rentals/Leases-Equip & Other	170	228	(1,820)	(1,592)	0

**REQUEST DETAIL**

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Rentals/Leases - Bldg/Land	81,250	104,500	10,000	114,500	80,000
Repairs	60,418	78,100	20,000	98,100	0
IT - Data Processing	106,175	213,987	30,000	243,987	64,200
IT - Communications	37,944	48,529	3,000	51,529	3,375
Professional Development	36,162	78,725	50,000	128,725	7,500
Operating Fees and Services	45,496	231,221	260,000	491,221	250
Fees - Professional Services	97,306	534,671	95,000	629,671	0
<b>Total</b>	<b>782,999</b>	<b>1,975,863</b>	<b>279,090</b>	<b>2,254,953</b>	<b>307,225</b>

**Operating Expenses**

General Fund	0	0	0	0	116,765
Federal Funds	0	0	0	0	0
Special Funds	782,999	1,975,863	279,090	2,254,953	190,460
<b>Total</b>	<b>782,999</b>	<b>1,975,863</b>	<b>279,090</b>	<b>2,254,953</b>	<b>307,225</b>

**Capital Assets**

Equipment Over \$5000	13,545	65,550	(65,550)	0	0
Motor Vehicles	25,550	0	0	0	0
<b>Total</b>	<b>39,095</b>	<b>65,550</b>	<b>(65,550)</b>	<b>0</b>	<b>0</b>

**Capital Assets**

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	39,095	65,550	(65,550)	0	0
<b>Total</b>	<b>39,095</b>	<b>65,550</b>	<b>(65,550)</b>	<b>0</b>	<b>0</b>

**Other Grants**

Grants, Benefits & Claims	66,501,684	239,299,174	(239,299,174)	0	0
<b>Total</b>	<b>66,501,684</b>	<b>239,299,174</b>	<b>(239,299,174)</b>	<b>0</b>	<b>0</b>

**Other Grants**

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	66,501,684	239,299,174	(239,299,174)	0	0
<b>Total</b>	<b>66,501,684</b>	<b>239,299,174</b>	<b>(239,299,174)</b>	<b>0</b>	<b>0</b>

**Flood Infrastructure Develop. Grants**

Salaries - Permanent	12,558	0	0	0	0
Temporary Salaries	17,045	0	0	0	0

**REQUEST DETAIL**

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Fringe Benefits	5,327	0	0	0	0
Travel	1,264	0	0	0	0
Postage	106	0	0	0	0
Operating Fees and Services	71,451	0	0	0	0
Fees - Professional Services	2,250	0	0	0	0
Grants, Benefits & Claims	3,735,237	26,154,763	(26,154,763)	0	0
<b>Total</b>	<b>3,845,238</b>	<b>26,154,763</b>	<b>(26,154,763)</b>	<b>0</b>	<b>0</b>

**Flood Infrastructure Develop. Grants**

General Fund	3,845,238	26,154,763	(26,154,763)	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>3,845,238</b>	<b>26,154,763</b>	<b>(26,154,763)</b>	<b>0</b>	<b>0</b>

**Contingencies**

Temporary Salaries	0	100,000	(100,000)	0	0
Operating Fees and Services	0	100,000	0	100,000	0
<b>Total</b>	<b>0</b>	<b>200,000</b>	<b>(100,000)</b>	<b>100,000</b>	<b>0</b>

**Contingencies**

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	200,000	(100,000)	100,000	0
<b>Total</b>	<b>0</b>	<b>200,000</b>	<b>(100,000)</b>	<b>100,000</b>	<b>0</b>

**Energy Infrastructure & Impact**

Salaries - Permanent	0	350,709	(37,731)	312,978	137,568
Temporary Salaries	0	50,000	64,400	114,400	0
Fringe Benefits	0	136,563	(8,456)	128,107	57,387
Travel	0	27,780	0	27,780	0
Supplies - IT Software	0	3,545	0	3,545	0
Supply/Material-Professional	0	350	0	350	0
Miscellaneous Supplies	0	385	0	385	0
Office Supplies	0	2,590	0	2,590	0
Postage	0	2,225	0	2,225	0
Printing	0	90	0	90	0
IT Equip Under \$5,000	0	3,200	0	3,200	0
Office Equip & Furn Supplies	0	4,800	0	4,800	0
Rentals/Leases - Bldg/Land	0	9,801	0	9,801	0

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
IT - Data Processing	0	41,281	0	41,281	0
IT - Communications	0	1,103	0	1,103	0
Operating Fees and Services	0	1,710	0	1,710	0
Fees - Professional Services	0	64,694	0	64,694	0
<b>Total</b>	<b>0</b>	<b>700,826</b>	<b>18,213</b>	<b>719,039</b>	<b>194,955</b>

**Energy Infrastructure & Impact**

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	700,826	18,213	719,039	194,955
<b>Total</b>	<b>0</b>	<b>700,826</b>	<b>18,213</b>	<b>719,039</b>	<b>194,955</b>

**Funding Sources**

General Fund	3,845,238	26,154,763	(26,154,763)	0	116,765
Federal Funds	0	0	0	0	0
Special Funds	71,197,195	247,506,969	(239,091,052)	8,415,917	992,771
<b>Total Funding Sources</b>	<b>75,042,433</b>	<b>273,661,732</b>	<b>(265,245,815)</b>	<b>8,415,917</b>	<b>1,109,536</b>



## CHANGE PACKAGE SUMMARY

226 Department of Trust Lands

Biennium: 2015-2017

Bill#: HB1013

Date: 12/23/2014

Time: 12:07:59

Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<b>Base Budget Changes</b>						
<b>One Time Budget Changes</b>						
A-B 22607 Continuing education		0.00	0	0	50,000	50,000
A-B 23804 Remove funding for flood infrastruture devel		0.00	(26,154,763)	0	0	(26,154,763)
A-E 22610 Remove Private Land Study appropriation		0.00	0	0	(50,000)	(50,000)
<b>Total One Time Budget Changes</b>		<b>0.00</b>	<b>(26,154,763)</b>	<b>0</b>	<b>0</b>	<b>(26,154,763)</b>
<b>Ongoing Budget Changes</b>						
A-A 22606 Inflationary increase in base budget		0.00	0	0	200,770	200,770
A-A 22609 Reduce operating costs in base budget		0.00	0	0	(200,480)	(200,480)
A-A 23801 Increase in base budget for EIIO		0.00	0	0	278,800	278,800
A-A 23803 Remove additional funding from 2013-15 bienn		0.00	0	0	(239,299,174)	(239,299,174)
A-F 22608 Remove Capital Asset		0.00	0	0	(65,550)	(65,550)
Base Payroll Change		0.00	0	0	(5,418)	(5,418)
<b>Total Ongoing Budget Changes</b>		<b>0.00</b>	<b>0</b>	<b>0</b>	<b>(239,091,052)</b>	<b>(239,091,052)</b>
<b>Total Base Budget Changes</b>		<b>0.00</b>	<b>(26,154,763)</b>	<b>0</b>	<b>(239,091,052)</b>	<b>(265,245,815)</b>
<b>Optional Budget Changes</b>						
<b>Ongoing Optional Changes</b>						
A-C 22611 Additional office space - Dept of Trust Land		0.00	0	0	73,900	73,900
A-C 23802 Additional office space - EIIO		0.00	83,500	0	0	83,500
A-C 22601 New FTE - Land Management Specialist	1	1.00	0	0	198,278	198,278
A-C 22602 New FTE - Public Information Officer and Pol	2	1.00	0	0	198,278	198,278
A-C 22603 New FTE - Energy Impact Office Compliance Of	3	1.00	33,265	0	153,703	186,968
A-C 22604 New FTE - Unclaimed Property Outreach and Co	4	1.00	0	0	186,968	186,968
A-C 22605 New FTE - Strategic Investment and Improve	5	1.00	0	0	181,644	181,644
<b>Total Ongoing Optional Changes</b>		<b>5.00</b>	<b>116,765</b>	<b>0</b>	<b>992,771</b>	<b>1,109,536</b>
<b>Total Optional Budget Changes</b>		<b>5.00</b>	<b>116,765</b>	<b>0</b>	<b>992,771</b>	<b>1,109,536</b>

**BUDGET CHANGES NARRATIVE**

226 Department of Trust Lands

Bill#: HB1013

Date: 12/23/2014

Time: 12:07:59

<b>Change Group:</b> A	<b>Change Type:</b> A	<b>Change No:</b> 22606	<b>Priority:</b>
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Inflationary increase in base budget

Changes in base budget reflect inflationary increases repairs and various services.

<b>Change Group:</b> A	<b>Change Type:</b> A	<b>Change No:</b> 22609	<b>Priority:</b>
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Reduce operating costs in base budget

Several line items were decreased since funding is no longer needed for these services. Specifically, technology is being better utilized so travel, postage and printing are being decreased. Also decreasing office furniture as these needs were met during the 2013-15 biennium.

<b>Change Group:</b> A	<b>Change Type:</b> A	<b>Change No:</b> 23801	<b>Priority:</b>
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Increase in base budget for EIIO

Considerations for the Energy Infrastructure and Impact Office budget for the 2015-2017 biennium includes:

- Increase to the travel budget: For additional on-site audits and increased number of grant rounds being performed (airports, higher education, dust control, sheriff departments, fire protection districts, Emergency Medical Services and hub cities) as established by the 2013 Legislature.
- Professional Services is reflective of two software enhancement projects to assist in improving operational effectiveness.
  - One project targets improvements to the internal control software utilized by the EIIO to manage the applications submitted; application evaluation through to awarding, reimbursement requests submitted, reviewed and approved for payment processing and all controls necessary within the software to assist in meeting independent audit review. \$63,897 being carried forward from the 2013-2015 biennium.
  - A second project relates to expanding the user facing solutions already provided on the internet. These changes would integrate the grant application submissions and reimbursement submissions capturing these direct to the software database. The user would also have access to their specific grant balance. These user self-service enhancements will improve efficiencies to the user and significantly improve efficiencies for the EIIO staff reducing dual entry time being performed while also improving control functions. \$95,000 requested
- Should it be necessary to relocate the EIIO staff due to office space limitations in our current facility, increases are necessary in Miscellaneous Supplies, office supplies, IT Equipment, Office Equipment & Furniture, Rent, Communications, Temporary Staff (administrative assistant for reception and office functions), ITD Network Access, etc. to support a separate office environment.

<b>Change Group:</b> A	<b>Change Type:</b> A	<b>Change No:</b> 23803	<b>Priority:</b>
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Remove additional funding from 2013-15 biennium

<b>Change Group:</b> A	<b>Change Type:</b> B	<b>Change No:</b> 22607	<b>Priority:</b>
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Continuing education

Changes in base budget reflect an increase in professional development for tuition reimbursement for an employee to continue to enhance their current skills by obtaining a Master of Energy Business degree.

<b>Change Group:</b> A	<b>Change Type:</b> B	<b>Change No:</b> 23804	<b>Priority:</b>
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**BUDGET CHANGES NARRATIVE****226 Department of Trust Lands****Bill#: HB1013****Date:** 12/23/2014**Time:** 12:07:59

Remove funding for flood infrastructure development grants

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 22601	<b>Priority:</b> 1
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New FTE - Land Management Specialist

The Department surface management responsibilities have grown dramatically beyond its traditional roles of managing the integrity of 706,000 acres of ranch and farm land. Siting oil well locations and associated assets including roads, pipelines, electrical lines, tanks and disposal sites is taking more staff resources and time. Much of the recent expansion is occurring in inaccessible rugged areas with greater slopes and cuts, which complicate siting and restoration options. Once a project is completed, reclamation is a critical need to restore long term productivity of the land, to minimize erosion and to control noxious weeds. Nearly 1,000 projects require follow-up inspections and the deficiencies will need remediation planning. This FTE will focus on reclamation and remediation efforts; additionally, this FTE will assist with reviewing 400 easement/permit applications received each year for oil wells, salt water disposal wells, pipelines, electric lines, communication lines, access and roads.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 22602	<b>Priority:</b> 2
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New FTE - Public Information Officer and Policy Director

With the growth in activities and assets under management and expansion of programs like the Energy Impact grants, the Department and the Board respond to an increasing number of media and public requests for information, explanations, and data. Activists have misinterpreted the Board's role is school financing, necessitating public relations efforts to explain the Board's and trust funds' legal role. This FTE will develop and hone the message of the Board's multiple roles through public relations and releases, enhance the Internet presence, and assist in response to inquiries and preparation of presentation and testimony.

Additionally, this FTE will lead the growing need for study and a response to federal regulatory impacts and public policy initiatives. Federal actions involving endangered species, clean water act implementation, Bureau of Land Management mineral restrictions and U.S. Forest Service grazing plans have and will impact trust lands and minerals. These federal actions are coupled with local initiatives to limit the income generating capacity of trust land and minerals. This FTE will lead an effort to explore land and mineral exchange possibilities and initiate cooperative projects to improve productivity together with habitat enhancement.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 22603	<b>Priority:</b> 3
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New FTE - Energy Impact Office Compliance Officer

The Energy Infrastructure and Impact Office (EIIO) has two direct FTEs, a grants administrator and assistant. The request is for one additional position to serve as a claims processor and compliance auditor to evaluate requests for payment of approved grants and to implement a review of project expenditures. This FTE will undertake an assessment of the impact and effectiveness of grants awarded to date and implement an audit program to ensure that the grants, which including the flood impact program, total over \$900 million in recent biennia, are used in accordance with the program criteria and state law. A compliance officer will assure cash and accounting controls in the administration of an increased number of transactions and dollars. Program award commitments increased from \$3.9 million in 2011; \$154.3 million in the 2011-13 biennium; and \$239.3 million in the 2013-15 biennium. Average reimbursement payments increased from \$9,032 in fiscal year 2011 to \$121,745 in fiscal year 2014.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 22604	<b>Priority:</b> 4
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New FTE - Unclaimed Property Outreach and Compliance

**BUDGET CHANGES NARRATIVE**

226 Department of Trust Lands

Bill#: HB1013

Date: 12/23/2014

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An FTE to serve as an unclaimed property auditor is requested to assist with compliance, education and auditing responsibilities. This FTE would supplement efforts to encourage businesses and other holders of property to comply with legal responsibilities to report forgotten or abandoned assets. Department audits in both fiscal year 2012 and 2013 found that in-state Unclaimed Property Division compliance efforts needed to be reinstated. An auditor FTE that had previously been assigned to unclaimed property was reclassified to a mineral title specialist within the Minerals Division, and that position remains working on minerals.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 22605	<b>Priority:</b> 5
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New FTE - Strategic Investment and Improvements Fund Accountant

On behalf of the Land Board, the Department manages the Strategic Investment and Improvements Fund (SIIF). This fund, formally known as the Lands and Minerals Trust fund before it was merged in 2011 with the Permanent Oil Trust fund, is the collecting point for oil and gas taxes and royalties and bonus from state-owned minerals. The fund was historically less than a \$5 million fund, but with current activity that balance has grown to over \$1.2 billion, with numerous transactions, obligations, and triggers. This FTE would be directly responsible for ensuring compliance with legislative appropriations and transfers which total nearly \$900 million in the current biennium. The FTE would be responsible for investment of the fund, administration of school construction loans, loan guarantees, assigned fund balance and compliance with statutory thresholds for deposits into the Legacy Fund. This FTE would also compile forecasts of SIIF royalty and tax income.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 22611	<b>Priority:</b>
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Additional office space - Dept of Trust Lands

Provides \$73,900 of other funds for additional office space.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 23802	<b>Priority:</b>
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Additional office space - EIIO

<b>Change Group:</b> A	<b>Change Type:</b> E	<b>Change No:</b> 22610	<b>Priority:</b>
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Remove Private Land Study appropriation

Remove the one time funding for the Private Land Study completed during 2013-15 biennium.

<b>Change Group:</b> A	<b>Change Type:</b> F	<b>Change No:</b> 22608	<b>Priority:</b>
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Remove Capital Asset

Remove the capital asset appropriation since capital asset purchases were completed during 2013-15 biennium.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 1	<b>Priority:</b>
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Lands Management Specialist FTE

**BUDGET CHANGES NARRATIVE****226 Department of Trust Lands****Bill#: HB1013****Date:** 12/23/2014**Time:** 12:07:59

This FTE will focus on reclamation and remediation efforts; additionally, this FTE will assist with reviewing easement/permit applications received each year for oil wells, salt water disposal wells, pipelines, electric lines, communication lines, access and roads.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 2	<b>Priority:</b>
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PIO and policy Director FTE

This FTE will develop information relating to the Board's multiple roles through public relations and releases, enhance the Internet presence, assist in response to inquiries and preparation of presentation and testimony, and study and provide responses to federal regulatory impacts and public policy initiatives.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 3	<b>Priority:</b>
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EIIO Compliance officer FTE

Provides 1.00 FTE position to support the activities of the Energy Infrastructure and Impact Office.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 4	<b>Priority:</b>
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Unclaimed property FTE

Provides 1.00 FTE unclaimed property auditor position to assist with compliance, education and auditing responsibilities.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 5	<b>Priority:</b>
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SIIF acct budget specialist FTE

Provides 1.00 account budget specialist FTE position to ensure compliance with legislative appropriations and transfers from the strategic investment and improvement fund. The FTE would be responsible for investment of the fund, administration of school construction loans, loan guarantees, assigned fund balance and compliance with statutory thresholds for deposits into the Legacy Fund. This FTE would also compile forecasts of SIIF royalty and tax income.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 6	<b>Priority:</b>
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Office space DTL

Provides \$73,900 from other funds for additional office space.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 7	<b>Priority:</b>
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Office space EIIO

Provides \$83,500 from other funds for additional office space.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 8	<b>Priority:</b>
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Reduce operating expenses

**BUDGET CHANGES NARRATIVE**

226 Department of Trust Lands

Bill#: HB1013

Date: 12/23/2014

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Reduces operating expenses for energy impact activities.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 100	<b>Priority:</b>
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Executive compensation package adjustment

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 1	<b>Priority:</b>
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Oil and gas impact grants - Higher Education

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 2	<b>Priority:</b>
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Oil and gas impact grants - Airports

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 3	<b>Priority:</b>
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Oil and gas impact grants - Schools

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 4	<b>Priority:</b>
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Oil and gas impact grants - Cities